TOURISM BRITISH COLUMBIA

CANADA ®

Tourism British Columbia
Annual Report
2002/03

BEST EMPLOYER

BCBusiness Watson Wyatt

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TABLE OF CONTENTS

3	Highlights 2002/03
4	Chair's Message
5	President's Message
6	Organization Overview
9	The Year in Review
15	Tourism British Columbia Corporate Performance
15	Highlights
16	Business Unit Performance
21	Report on Performance
29	Financial Report
41	Corporate Governance
42	Board of Directors
46	Glossary
47	Tourism British Columbia Offices

Best Employer Recognition

"***This honour recognizes companies that have demonstrated superior management practices and that, according to their employees, have created an exceptional work environment.***"
- BC Business Magazine, January 2003

"Across Canada, Tourism British Columbia is a leader demonstrating excellence in tourism industry destination management."
- Judd Buchanan, Special Advisor on Tourism to the Prime Minister and Immediate Past-chair, Canadian Tourism Commission, speaking at the British Columbia Tourism Industry Conference, February 2003

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HIGHLIGHTS 2002/03

In a year that saw the industry achieve 22.6 million visitors and $9.3 billion in revenue, Tourism British Columbia is proud of the many corporate accomplishments in the past fiscal year. Some notable achievements are:

- In support of the Vancouver 2010 Bid Corporation's international messaging, Tourism British Columbia published 250,000 copies of a special winter edition of *British Columbia Magazine*, showcasing all of British Columbia as a genuine world-class winter destination.
- The 2002 *BC Escapes*® program saw $70.3 million in direct visitor spending, from a total investment of $5.6 million. The campaign also received an RSVP Award of Merit from the Canadian Marketing Association.
- Tourism British Columbia was recognized as one of the Best Companies to Work For in British Columbia according to a survey conducted by Watson Wyatt Management Consultants. The results were published in the January 2003 issue of BC Business Magazine, where Tourism British Columbia ranked 12th in the top 25 companies in British Columbia.
- In the 2002 Stakeholder Survey conducted by Malatest and Associates, Tourism British Columbia achieved an overall stakeholder satisfaction rating of 3.8 out of 5.
- With strong support from targeted marketing programs, the *Super, Natural British Columbia*® Call Centre saw a decreased average call length while at the same time achieving an increase in average bookings from $207 to $217, representing an increase in revenue per minute from $6.70 to $7.48.
- *Canada's West Marketplace*® 2002, a partnership between Tourism British Columbia and Travel Alberta, saw a record number of 579 delegates last year. In addition, 100% of the buyers and 94% of the sellers rated the event as "good" or "very good".
- Travel Media Relations produced $203.6 million in unpaid media coverage for British Columbia worldwide.
- Delivery of the *SuperHost*® training program in Puerto Rico resulted in additional revenues of $41,500.

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CHAIR'S MESSAGE

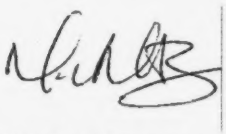
2002 was a year without historic trends, patterns or any sense of "normal" for the tourism industry. It was a year in which travel intentions would be difficult to gauge following the impacts of September 11, 2001.

I am pleased to say that the British Columbia tourism industry demonstrated remarkable resilience in the past year, as visitation returned to positive levels much sooner than expected.

The reasons for this are two-fold. First, British Columbia enjoys a diversity of tourism products and destinations unlike anywhere else in the world. This provided much-needed choice for consumers who were changing the way they made vacation decisions. Many who had traditionally flown to holiday destinations were now driving; many who would normally choose long-haul travel were now opting for closer-to-home itineraries. Tourism British Columbia continues to ensure programs align with these shifts in consumer behaviour.

Second, I believe the responsiveness to the new conditions was exemplary. With strong government support for Tourism British Columbia from the Ministry of Competition, Science and Enterprise, including a much-needed $750,000 incremental increase in funding announced in April 2003, the corporation was able to work with industry partners to utilize existing data and re-align marketing programs to target the best opportunities for building visitation in the short-term, without sacrificing long-term market development.

I am proud of the approach taken by Tourism British Columbia in these unusual times. In addition, I would like to extend thanks to my fellow Board members whose industry perspective was integrated into the decisions made by the corporation. The results of these efforts are summarized in this Annual Report.



Michael Duggan
Chair, Board of Directors

PRESIDENT'S MESSAGE

The tourism industry in British Columbia came to crossroads in this past year, as we found ourselves recovering from the extraordinary impacts of 2001 and at the same time facing a year when the single biggest impact for tourism was yet to be made – the announcement of which country would host the 2010 Winter Olympic and Paralympic games.

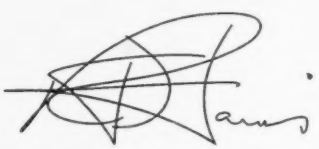
Having achieved $9.3 billion in tourism revenue and 22.6 million visitors in 2002, the industry can take comfort that in the face of uncertain times, the Super, Natural British Columbia destination retains strong appeal for consumers in all our key markets.

In fact, despite continued competition from jurisdictions throughout the world, British Columbia's most significant challenges came from global conditions such as weak international economies and financially unstable air carriers. While these conditions are unlikely to change soon, we are positioned with diverse product offerings and varied markets.

I believe that the 2010 Winter Games will further demonstrate the sophistication of the British Columbia tourism industry. I am very impressed with the interest that has already begun in communities throughout the province, as well as with our partner tourism marketing organizations. Tourism British Columbia is working hard to ensure our organization fulfils our mandated role in helping deliver the benefits associated with tourism.

In responding to increased global competitiveness, we have to be both strategic and disciplined in maximizing all opportunities, including marketing, product development, human resource development and infrastructure. The integration of these areas requires proactiveness and strong partnerships, both of which are well-evidenced already throughout the industry.

I would like to offer my personal thanks to the Ministry of Competition, Science and Enterprise, our industry partners, our Board and our staff for ensuring our industry is well-positioned to maximize the opportunities that lie ahead.



Rod Harris
President and Chief Executive Officer

ORGANIZATION OVERVIEW

Tourism British Columbia is a Crown corporation that operates under the direction of an industry-led Board of Directors and is responsible for marketing the *Super, Natural British Columbia*® brand to the world.

Tourism British Columbia's vision is to be a recognized world leader in tourism destination management. The organization works cooperatively with industry partners to promote the development and growth of British Columbia's tourism industry and ensure its long-term success. This is done with significant support of several government agencies including the Ministry of Competition, Science and Enterprise, the Ministry of Sustainable Resource Management and Land and Water British Columbia. Tourism British Columbia's mission is to exceed our customers' expectations by providing leadership and programs that ensure the success of the British Columbia tourism industry, resulting in a quality visitor experience.

Tourism British Columbia's Corporate Values are:

Integrity – what we bring as individuals;
Enthusiasm – what we portray;
Teamwork – how we work together; and
Progressive – what we strive for.

Tourism British Columbia is recognized as a leader in tourism marketing and development, working in partnership with the province's fast-growing tourism industry.

Tourism British Columbia was established as a Crown corporation when the Tourism British Columbia Act was passed by the British Columbia legislature in June 1997. Tourism British Columbia is structured to function as a professional marketing organization, with business units strategically focused across the consumer purchase cycle.

Tourism British Columbia's model of corporate governance is responsive to the needs of the industry. The Directors in the corporation are active participants in tourism, bringing the skills, knowledge and experience needed to support the industry's long-term development. Funding is based on a percentage of the provincial Hotel Room Tax, with revenues increasing or decreasing with the tourism sector.

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Tourism British Columbia Purpose

As prescribed by the *Tourism British Columbia Act*, the corporation's Purpose is *to promote development and growth in this vital sector, to increase revenues and employment throughout British Columbia, and to increase the economic benefits generated by the tourism industry.*

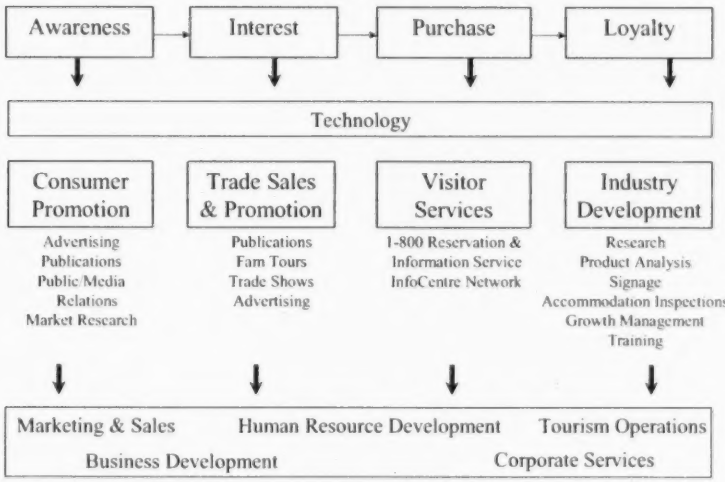
Tourism British Columbia Mandate

The corporation is responsible for:

- Marketing British Columbia as a tourism destination;
- Providing information services for tourists;
- Encouraging enhancement of standards of tourist accommodation, facilities, services and amenities;
- Enhancing professionalism in the tourism industry;
- Encouraging and facilitating the creation of jobs in the tourism industry;
- Collecting, evaluating and disseminating information on tourism markets, trends, employment, programs and activities and on availability and suitability of infrastructure and of services that support tourism activities; and
- Generating additional funding for tourism programs.

All stages of the marketing cycle are addressed as determined by the Mandate under the *Act*.

The Marketing Cycle



PROGRAMS

With its private sector partners, the organization embraces a consumer-driven approach to marketing, helping industry bring the right products and services to market – at home and abroad.

- **Marketing & Sales** – develop consumer-driven strategies that target key geographic markets to increase demand for a *Super, Natural British Columbia*® travel destination.
- **Visitor Services & Sales** - provide information to travellers via Visitor Info Centres, *HelloBC*®.com, the toll-free *Super, Natural British Columbia*® (SNBC) reservation and information service, and distribution of British Columbia travel guides to points all over the world.
- **Accommodation Services and Standards** - encourage enhancement of visitor accommodation, facilities, services and amenities in British Columbia through inspection and star rating systems. Approved properties are featured in the British Columbia Approved Accommodation Guide.
- **Education and Training** - build a professional, well-trained workforce to ensure consumer loyalty and repeat business. Deliver the world-class *SuperHost*® training programs.
- **Research and Economic Analysis** - provide research to industry partners for measurement, evaluation and management of growth in all sectors.
- **Business Development** - responsible for consumer, corporate and industry communications, as well as the development of new revenue-generating opportunities.

MEASURING PERFORMANCE

To ensure Tourism British Columbia continues to be responsive to the needs of the tourism industry, performance measures have been incorporated at three key levels: industry performance, corporate performance, and individual business unit performance in each of the organization's operating divisions.

Industry Performance

Industry performance is gauged by an extensive combination of indicators with particular focus on accommodation statistics such as room revenue, occupancy levels and average daily rates. In addition, Tourism British Columbia monitors visitation through customs entries, airport arrivals, cruise ship activity, ferry traffic, highway traffic and visitor party information gathered throughout the provincial Visitor Info Centre network.

Corporate Performance

Tourism British Columbia's corporate performance is measured through an annual Stakeholder Survey administered by a third-party professional research organization, involving feedback from

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over 400 randomly selected industry stakeholders each year. The corporation's performance target is to achieve a satisfaction level of 3.5 out of a maximum of five.

Business Unit Performance

In each of the corporation's core business functions, approved performance measures have been established relating to the specific activities, objectives and goals as defined in the annual business plan.

THE YEAR IN REVIEW

Tourism Industry Performance

The calendar year 2002 saw British Columbia's tourism industry rebound from 2001, achieving $9.3 billion in province-wide revenues and 22.6 million overnight visitors. While it does not match the best year of $9.5 billion achieved in 2000, it was cause for cautious optimism, particularly when other indicators, such as tourism-related employment which reached 114,272 in 2001, are factored in.

Tourism British Columbia's Research Unit tracks a number of key indicators to capture a comprehensive picture of industry performance each year. The table below shows customs entries data from British Columbia's primary international markets. The percentage shown indicates the increase or decrease in activity over calendar year 2001.

Final statistics for 2002 show that overnight entries from the United States were up 3.7% for the year, with Asia Pacific up 2.3% and Europe down 11.4%. Overall, overnight customs entries from all international markets were up 1.9% over last year.

Provincial Indicators	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	Total 2002	Canada Total 2002
U.S. Overnight Customs Entries	618,112	982,290	1,546,233	623,408	3,770,043	16,145,706
% change	*2.5%*	*(0.1%)*	*5.4%*	*6.8%*	*3.7%*	*3.7%*
Asia/Pacific Overnight Customs Entries	147,860	233,374	314,448	170,587	866,269	1,399,651
% change	*(5.2%)*	*(4.0%)*	*1.9%*	*22.8%*	*2.3%*	*0.5%*
Japan	44,667	69,854	102,534	56,644	273,699	436,510
% change	*(10.8%)*	*8.6%*	*4.7%*	*39.7%*	*8.2%*	*4.3%*
Taiwan	14,992	29,010	33,645	19,105	96,752	105,139
% change	*(31.7%)*	*(16.2%)*	*(5.2%)*	*38.4%*	*(8.6%)*	*(10.1%)*
Hong Kong	17,857	21,032	31,779	15,755	86,423	119,449
% change	*15.2%*	*(22.3%)*	*3.0%*	*13.2%*	*(1.0%)*	*(5.9%)*
Australia & New Zealand	21,300	30,460	38,700	23,631	114,091	188,625
% change	*(20.4%)*	*(19.4%)*	*(5.3%)*	*14.0%*	*(9.5%)*	*(4.3%)*
South Korea	20,086	26,311	41,509	18,519	106,425	151,476
% change	*21.1%*	*2.0%*	*5.1%*	*6.8%*	*7.3%*	*6.0%*
China	13,179	18,075	28,489	17,441	77,184	96,142
% change	*18.0%*	*19.4%*	*18.4%*	*30.6%*	*21.1%*	*18.3%*
Europe Overnight Customs Entries	64,294	108,531	165,808	61,483	400,116	2,019,182
% change	*2.8%*	*(16.6%)*	*(16.2%)*	*0.5%*	*(11.4%)*	*(10.0%)*
United Kingdom	38,589	55,284	73,175	32,623	199,671	749,659
% change	*6.9%*	*(13.7%)*	*(11.5%)*	*1.3%*	*(7.2%)*	*(11.7%)*
Germany	8,220	19,854	35,190	9,863	73,127	295,715
% change	*(8.8%)*	*(22.9%)*	*(26.8%)*	*(17.5%)*	*(22.8%)*	*(13.3%)*
Netherlands	2,996	8,494	12,769	3,891	28,150	107,769
% change	*13.4%*	*(15.4%)*	*(20.8%)*	*0.3%*	*(13.8%)*	*(7.0%)*
Switzerland	2,012	3,541	7,427	2,026	15,006	88,991
% change	*(5.1%)*	*(19.5%)*	*(18.7%)*	*11.2%*	*(14.1%)*	*(7.9%)*
France	1,507	3,114	5,992	1,842	12,455	313,987
% change	*(23.3%)*	*(17.6%)*	*(15.4%)*	*(0.1%)*	*(15.1%)*	*(12.9%)*
Total Overnight Customs Entries	842,886	1,342,347	2,062,527	868,801	5,116,561	20,035,511
% change	*1.5%*	*(2.9%)*	*2.5%*	*9.2%*	*1.9%*	*1.8%*

Data as of July 2003

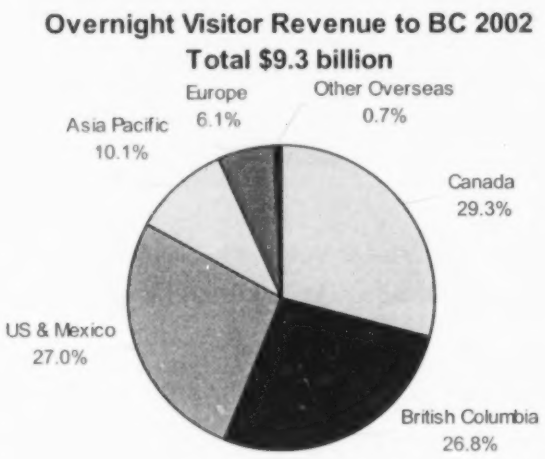
OTHER TOURISM INDUSTRY PERFORMANCE INDICATORS

Given the wide variety of businesses directly linked to tourism, performance is best measured by cross-referencing a number of indicators that relate to overall tourism activity.

	1st Qrt	2nd Qrt	3rd Qrt	4th Qrt	Total 2002
Accommodation Room Revenue ($000)	$325,447	$372,289	$546,812	$261,528	$1,506,143
% change	*(0.3%)*	*1.5%*	*2.1%*	*7.0%*	*2.2%*
Provincial Occupancy Rate	51.5%	62.5%	73.8%	48.3%	59.0%
% change	*(6.0%)*	*(1.7%)*	*1.4%*	*5.2%*	*(0.5%)*
Provincial Average Daily Room Rate	$116.58	$118.20	$132.94	$104.87	$118.15
% change	(0.1%)	2.3%	1.7%	3.3%	*1.7%*
Commercial Restaurant Receipts ('000s)	$1,213,455	$1,295,820	$1,350,672	$1,241,256	$5,101,203
% change	*(1.2%)*	*(1.3%)*	(3.9%)	0.9%	*(1.5%)*
BC Ferries - Passenger Volume	3,944,450	5,436,010	7,532,683	4,626,544	21,539,687
% change	*(1.5%)*	*(0.2%)*	*2.0%*	*3.5%*	*1.1%*
Coquihalla Highway	363,191	648,357	1,026,620	480,043	2,518,211
% change	*(1.6%)*	*1.4%*	*4.0%*	*7.2%*	*3.1%*
Fishing Lodges (Room Revenue)	$773,290	$5,275,961	$10,952,962	$1,210,773	$18,212,985
% change	*21.4%*	*16.7%*	*0.8%*	*(2.8%)*	*5.4%*
Provincial Visitor Info Centres - # parties	124,837	402,344	835,638	167,463	1,530,282
% change	*(6.3%)*	*0.5%*	*(3.0%)*	*(9.6%)*	*(3.2%)*

Data as of July 2003

Industry Revenue*



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Industry Revenue

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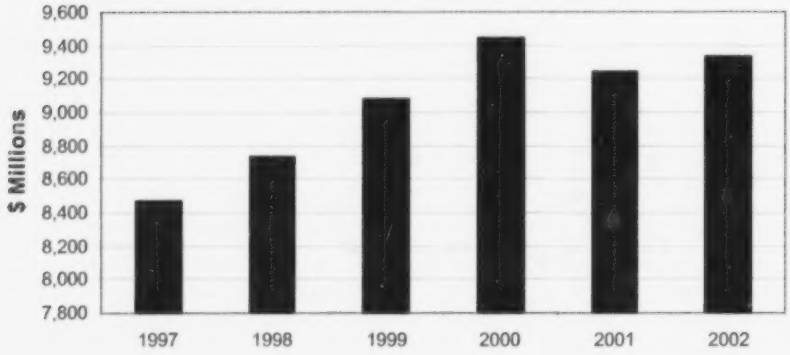
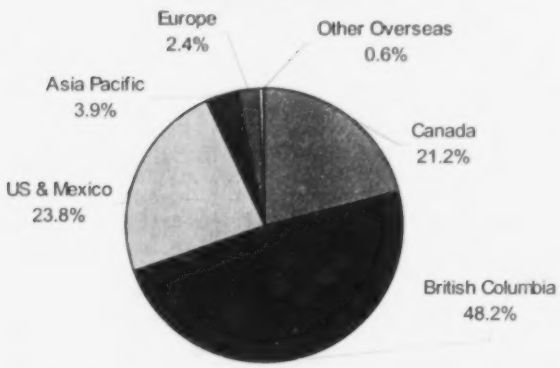
Overnight Visitor Revenue to BC 1997-2002



Visitation*

2002 Overnight Visitor Volume to BC
Total: 22.6 million



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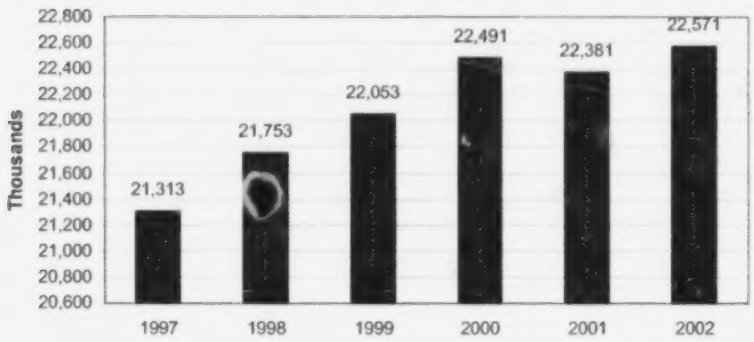

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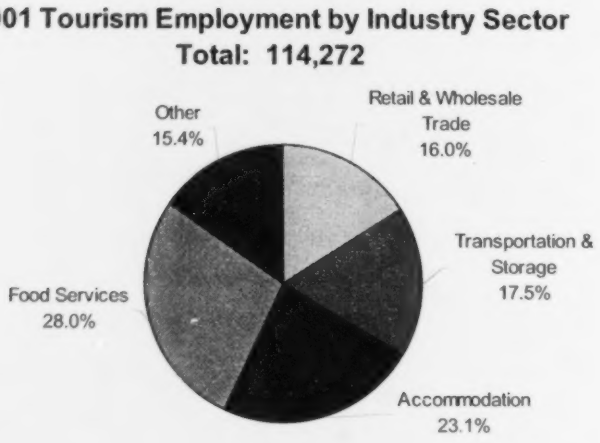
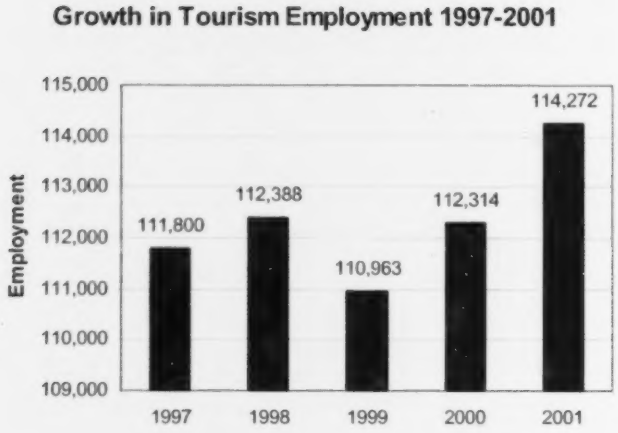
Employment





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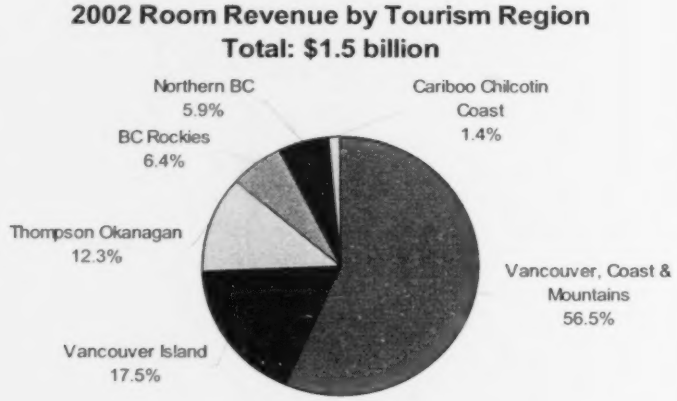
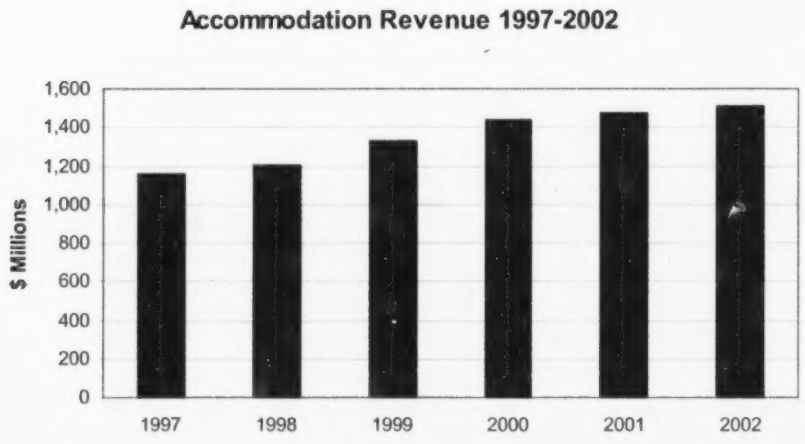
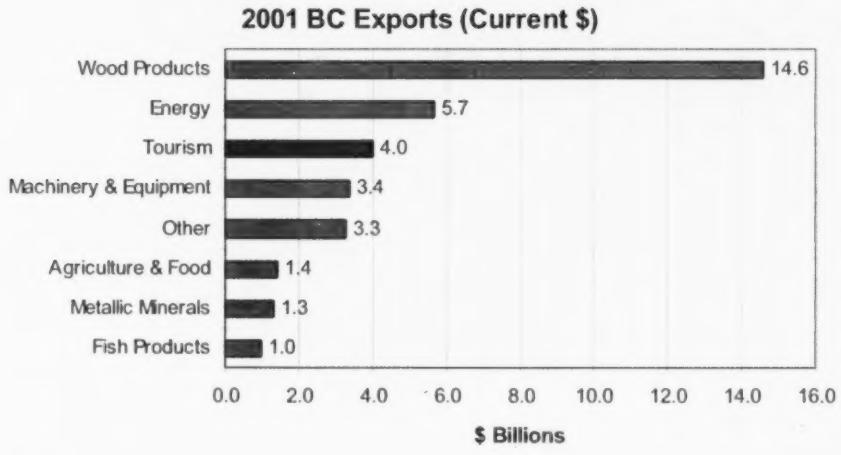
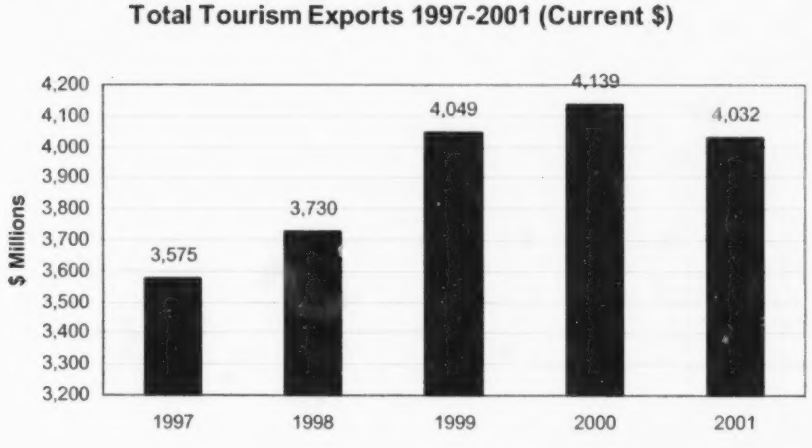




British Columbia Exports





TOURISM BRITISH COLUMBIA CORPORATE PERFORMANCE

HIGHLIGHTS

Tourism British Columbia and the Vancouver 2010 Olympic and Paralympic Bid

Fiscal 2002/03 was a critical year in the Olympic Bid process, as efforts shifted from planning to international promotion and awareness. A key challenge was to reinforce in the minds of International Olympic Committee influencers that British Columbia is a quality winter destination.

Tourism British Columbia undertook several supporting activities, including encouraging the overseas offices to emphasize winter in discussions with travel trade operators and media. Most significantly, 250,000 copies of a special winter supplement of *British Columbia Magazine* that effectively conveyed the broader story of British Columbia's excellent winter products were published and strategically distributed.

Other activities included working with the Vancouver 2010 Bid Corporation through the Tourism Destination Working Group to identify and deliver key tourism promotional opportunities. Among the tactics was to bring 2010 to key tourism events such as the International Tourism Bourse (ITB) in Berlin, Rendez-vous Canada in Halifax and the annual Tourism Industry Association of Canada (TIAC) Conference in Charlottetown.

Tourism British Columbia also provided support to the "yes" campaign in the Vancouver plebiscite, through the sponsoring of a multi-media advertising campaign that focused on testimonials of people such as Jimmy Pattison, Wayne Gretzky and Catriona LeMay Doan.

In July 2002, Tourism British Columbia facilitated a meeting of Destination Marketing Organizations from Vancouver, Whistler, Richmond, Victoria and the Canadian Tourism Commission (CTC) to begin the process of long-term planning related to the 2010 opportunity. This came at the request of the Provincial Olympic Bid Secretariat which had challenged members of the Bid-related 2010 Tourism Destination Working Group to "maximize and accelerate the benefits for tourism that can result from successfully hosting the Olympic Games". Following this meeting, work has been undertaken in four strategic areas to ensure a fully integrated approach to the tourism opportunity. These areas are: marketing, industry development, infrastructure and human resource development. In addition, a Working Committee of the Tourism British Columbia board of directors was struck to provide input into the 2010 planning process.

A significant component of the strategy is to consult directly with communities throughout the province for input, as it is clear that the economic benefits proposed in the Bid can only be realized if all parts of the province see incremental activity.

This proactive approach by Tourism British Columbia, the Provincial Olympic Bid Secretariat and tourism industry partners in initiating a 2010 tourism strategy in 2002 is consistent with recommendations made in a report by the Auditor General on the Vancouver 2010 Bid proposal when he stated:

> ***"...the economic impact scenarios with the biggest payoff will require an exemplary tourism marketing program both before and after the Games for the whole of British Columbia (in addition to the Games marketing being planned for by the Bid Corporation)."***
>
> - Wayne Streilioff, CA Auditor General, January 2003

Tourism British Columbia Named one of British Columbia's Top Employers

Tourism British Columbia was recognized as one of the Best Companies to Work for in British Columbia according to a survey conducted by Watson Wyatt Management Consultants. The survey evaluates companies based on eight criteria: work environment, supervision, communication, management effectiveness, compensation, benefits, career development and training. The results were published in the January 2003 issue of BC Business Magazine where Tourism British Columbia ranked 12th in the top 25 companies in British Columbia.

Tourism British Columbia's success comes from a commitment to support employees with a range of business-focused and family-responsive policies and programs. The company places an emphasis on performance achievement, recognizing strengths and opportunities, and actively promotes feedback at all levels of the corporation.

BUSINESS UNIT PERFORMANCE

Marketing & Sales

The Marketing & Sales team works with industry partners to develop and deliver cost effective consumer and trade marketing programs. Tourism British Columbia's programs are designed to satisfy the various consumer interests and purchasing behaviour exhibited in core North American

and overseas markets. In building these diverse activities, the overriding goal is to build tangible business results for the tourism industry throughout the province.

In North American markets, Tourism British Columbia again validated the need to develop well targeted, integrated, direct response campaigns to reach high potential travellers. The spring 2003 *BC Escapes*® campaign enabled industry to partner with Tourism British Columbia to reach qualified travellers in Canada and the US. While core markets in California and Ontario were maintained, increased emphasis was put on the nearby markets of Washington, Oregon, and Alberta as well as locally in British Columbia. The spring 2003 *BC Escapes*® campaign was launched in late February 2003 with a 23% budget reduction, reflecting the reduction in CTC-partnered funding. Early results indicate that the campaign is delivering to expectations. This demonstrates the sound model of the program, which delivered $70.3 million in tourism revenue in 2002, generating a 12:1 return on investment.

The Tourism Partners program, which is delivered in partnership with British Columbia's six tourism regions, saw over 1,000 tourism businesses cost effectively reach high potential consumers from short-haul markets. Over 250 distinct advertising campaigns were executed and 1.5 million regional vacation planners and product sector guides were put in the hands of interested consumers.

The North America Travel Media Relations unit continues to nurture ongoing relationships with key media, and identify and build new associations with strategic media outlets delivering high audience impressions. After September 11, 2001, Tourism British Columbia saw increased interest from US and Canadian travel editors in British Columbia as a travel destination. Over the course of the past year, this interest has continued to grow, resulting in increased coverage throughout key markets.

In 2002/03, North America Travel Media Relations worked with more than 1,990 media, provided support for 229 press trips and represented British Columbia at 13 media events/marketplaces in Canada and the US. The result was $93.0 million in unpaid media coverage in the North American market. In addition, Tourism British Columbia hosted 65 overseas media visits achieving $110.6 million of unpaid media. Of this, $102.7 million can be credited to Japan and the extraordinary value of just three Japanese television shows.

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Performance from overseas markets varied in the wake of continuing impacts of September 11, 2001. In the Asia/Pacific region, Japan took the longest time to recover but ended the calendar year by surpassing 2001 visitation. A strong recovery campaign involving key tour operators and the CTC included a video-taped message from the Premier of British Columbia. This assisted in assuring Japanese visitors that Canada remained a safe location to visit. By late winter 2003 however, the threat of war in Iraq and other factors began to negatively effect visitation from Japan. In spite of a very successful fall consumer campaign, Taiwanese visitation continued to decline due to their ongoing economic challenges and the departure of Air Canada from the market. Our third key Asia/Pacific market and perhaps the most resilient one, Australia, also experienced a decline in visitation. This was primarily due to a lack of air capacity following the demise of Canada 3000, although the shock of the terrorist attacks in Bali had an impact. Performance from secondary markets was mixed with declines from Hong Kong but significant increases from South Korea and China.

In Europe, the United Kingdom remained a strong and confident travel market. While visitation declined slightly, it was primarily due to a lack of air capacity. Canadian Affair, a motivated tour operator, stepped into the void left by Canada 3000, ultimately replacing about one third of air capacity. An effective consumer co-op campaign between Tourism British Columbia and Canadian Affair resulted in the near sellout of these charters flights between the UK and British Columbia and the decision to significantly increase capacity in 2003. In the United Kingdom and Germany, our partnership with the CTC was maintained in their winter consumer advertising program designed to motivate spring and summer 2003 travel. This multi-media campaign produced a total of 62,710 inquiries about travel to Canada and British Columbia which is an increase of 37.2% over the previous year.

The *Canada's West Marketplace*® show set a record in 2002 not only with the number of delegates but with buyer and seller satisfaction. 141 buyer delegates representing 112 organizations, 202 British Columbia seller delegates representing 141 organizations and 16 media delegates participated. Of these, 100% of the buyers and 94% of the sellers rated the event as "good" or "very good".

Tourism British Columbia representatives continued to develop strong relationships with the travel trade and travel media in all our markets. To assist key tour operators in reaching their target audience and building business, Tourism British Columbia invested in 84 trade promotional

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programs. In addition, 58 training seminars were conducted to educate travel trade sales and reservation staff.

Throughout the past year, significant effort has been placed in developing an information technology strategy that will better enable Tourism British Columbia's business processes to make it easier for consumers to access British Columbia tourism products and services, and to provide the British Columbia tourism industry greater access to worldwide consumers. Following extensive work by an internal cross-division work group, a Request for Proposal was issued by the Purchasing Commission on behalf of Tourism British Columbia on March 14, 2003, targeting the acquisition of an appropriate technology solution.

In the face of major challenges and the resulting increase in competitive activity, effective partnership efforts have never been more essential. Tourism British Columbia was able to further increase a direct marketing investment of $8 million to approximately $25 million through partnerships with industry and other tourism organizations. This level of investment allowed Tourism British Columbia and our industry partners to achieve a greater level of market impact and to better compete with other jurisdictions.

Tourism Operations

Tourism Operations works directly with visitors and industry to provide information fulfillment and product sales and to promote increased travel. This includes a commitment to quality assurance through the enhancement of standards for facilities, services and amenities, and a similar commitment to long-term professional development programs for the tourism workforce.

Despite negative market conditions and decreasing call volume this year, the *Super, Natural British Columbia*® Call Centre reduced call length while at the same time increasing average bookings. This resulted in the centre exceeding its revenue target of $780,000 by $11,000. The *HelloBC*®.com website continued to gain momentum and exceeded targets in all areas.

110 Visitor Info Centres throughout the province continued to develop programs and services resulting in a quality one-stop experience for the visitors. 3.12 million visitors were served at Visitor Info Centres throughout British Columbia in 2002.

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One highlight achievement for Tourism Operations in 2003 was the completion of the five-year Tourism Human Resources Development Plan for the tourism industry. This has resulted in the creation of a new coordinating agency for human resource development called *go2* - the resource for people in tourism. *go2* will be implementing a number of initiatives to ensure a well-trained and professional workforce to support increased growth for tourism and to prepare for the 2010 Olympic and Paralympic Games.

Business Development

The Business Development Division identifies, researches and implements programs for the corporation that help maximize the overall efficiency of the organization and industry. Included in this division are Corporate Communications, Industry Development, and *British Columbia Magazine*.

The division works closely with all areas of the corporation and with industry stakeholders, providing a valuable connection as many new and existing tourism opportunities evolve.

A highlight of 2002/03 was the operational performance of *British Columbia Magazine*. The magazine managed to achieve profit targets through efficient management, which will provide a strong foundation for efforts to reach circulation targets in the future.

Industry Development published a total of seven Tourism Business Essential Guides, including new publications such as *Starting a New Tourism Business* and *Travel Media Relations,* which were developed as a result of stakeholder feedback. The guides are now available in CD format, making them more convenient for tourism business operators.

2002/03 was the last year of Tourism British Columbia's agreement with the Vancouver 2010 Bid Corporation to sponsor WorldHost. Twenty communities throughout British Columbia received support from this program for both bidding and hosting international events.

Through a partnership with the Ministry of Sustainable Resource Management, the third of four phases of the Rails-to-Trails provincial strategy was completed. The final stage is to conduct a pilot project in one British Columbia community which will be undertaken in the next fiscal year.

The most significant topic facing Corporate Communications was the stability and health of the tourism industry itself, following the impacts of the September 11, 2001. Though overall results for the year demonstrated that recovery for the British Columbia industry was well under way, several

issues such as Cryptococcus disease on Vancouver Island, outbreaks of the Norwalk virus on cruise ships and economic woes throughout the world increased the demand of stakeholders and media for up-to-date information. The corporate website www.tourism.bc.ca proved to be an invaluable tool in conveying the appropriate information. In addition, Corporate Communications issued 34 press releases on behalf of the organization.

Corporate Services

Tourism British Columbia is strongly committed to disciplined management practices and accountability. Through the development and implementation of efficient financial, administrative and information systems, Corporate Services continues to help contribute to the positive performance of the organization.

Over the past year, Corporate Services continued to instill sound financial management processes throughout the corporation, ensuring the integrity of the financial data. Evidence of this comes from the unqualified auditor's opinion and management letter.

Human Resource Development

The Human Resource Development division had a very successful year in leading the organization in achieving high performance. The corporation participated in Watson Wyatt's Survey for the Best Companies to Work for in British Columbia and was named number 12 in the January 2003 issue of BC Business Magazine. With 100% of employees surveyed agreeing they have confidence in the job being done by senior management of the organization, Tourism British Columbia continues to confirm our position as a highly effective organization.

The organization's Corporate Values continue to provide a strong base for engaging Tourism British Columbia's staff in productive and satisfying work, relevant to our clients and stakeholders.

The Human Resource Development division enables the corporation to achieve outstanding business results through a variety of programs and initiatives.

REPORT ON PERFORMANCE

Starting with the 2003/04 Tourism British Columbia Service Plan, the corporation switched from publishing objectives and measures by Business Unit to a format that linked goals, objectives, strategies, targets and performance measures directly to the Tourism British Columbia mandate.

Consequently, some performance measures have been realigned or restated for comparative purposes, and may vary from the 2002/03 Service Plan which followed a Business Unit format.

In addition, it is important to note for reference that the results published within this Annual Report cover the fiscal year April 1, 2002 – March 31, 2003, and will not reflect impacts of the War in Iraq, which began mid-March 2003 and SARS, which saw the first public advisory for Canada on March 28, 2003.

Goal 1: ***Position British Columbia as a preferred travel destination to consumers and the travel trade***

Program/ Activity	Objectives/Strategies	Measures	Performance		
			Target	Results	Comments
BC Escapes®, 2002	Generate getaway business to British Columbia in spring and summer by offering specially priced packages to high potential markets.	Investment budget Tourism revenues generated Number of inquiries Number of bookings	$5.8 million $62 million 60,000 10,000	$5.6 million $70.3 million 78,000 13,000	Total campaign budget was reduced due to declining CTC investment. The 2002 *BC Escapes*® campaign received an RSVP Award of Merit from the Canadian Marketing Association.
Tourism Partners	Support regional and sector focused marketing activities such as advertising, publications, consumer and trade shows, and provide cooperative marketing opportunities to businesses.	Number of businesses participating Number of consumer travel guides distributed	1,000 1.5 million	1,040 1.6 million	Targets reached in all areas.
Tour Operators	Maintain British Columbia's position with the travel trade through educational programs, cooperative marketing campaigns, familiarization tours and sales calls.	British Columbia's share of Canadian tours in key tour operator brochures	North America: 40% Europe: 40% Asia: 60%	North America: 41% Europe 41% Asia 71%	Due to the lack of domestic air seats to connect visitors to other parts of Canada, Asia tour operators featured more British Columbia itineraries.

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Program/ Activity	Objectives/Strategies	Measures	Performance		Comments
			Target	Results	
Media Relations	Continue to build awareness of British Columbia's tourism product with key media.	Equivalent dollar value of unpaid editorial coverage worldwide	$65 million	$203.6 million	Canadian and US travel media continue to show strong interest in British Columbia as a travel destination. $102.7 million was credited to Japan with the majority the result of 3 TV shows.
		Number of media representatives supported	1,342	2,055 - and provided support for 294 press trips	
		Number of travel media events attended	10	16	
Corporate Communications	Continue to foster relationships with key media.				Aligned tourism interest with Vancouver 2010 Bid efforts, which was key to media relations post July 2 announcement.
	Continue to modify and update the corporate website to ensure maximum accessibility for industry to Tourism British Columbia research and information about programs and services.				Corporate site has become an invaluable tool for distributing up-to-date market information. Media regularly reference the site for news support.
	Manage resources of the unit to ensure that the Program Guide, Business Plan, Annual Report and *Super, Natural*® Fax are produced on time and on budget, and are available in formats convenient for all industry stakeholders.				Corporate Communications produced all materials on budget for fiscal 2002/03. Program Guide now available exclusively on the Corporate website, allowing for regular updates and cost-savings.

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Goal 2: ***Provide travel information and services for tourists which encourage initial and repeat visitation, longer stays, and extended travel throughout the province***

Program/ Activity	Objectives/Strategies	Measures	Performance		
			Target	Results	Comments
Call Centre customer service	Continue to build partnerships with inventory providers from across the province to expand selection of products for consumer. Maintain current customer service levels.	Number of properties on the system	700	665	Call volumes decreased by approximately 20%. However, outstanding efforts by agents and excellent marketing support from the *BC Escapes*® campaign resulted in a decrease in call length and an increase in revenue per minute from $6.70 to $7.48 over the previous year.
		Number of incoming calls	280,000	225,000	
		Average call length	5.8 minutes	5.68 minutes	
		Per cent of calls answered within 20 seconds	70%	78%	
		Average wait time	29 sec	28 sec	
		Conversion	20%	20%	
		Revenue per minute	$7.50	$7.48	
		Number of reservations	56,000	42,000	
		Revenue	$780,000	$791,000	
HelloBC®.com	Increase visitation and bookings to our *HelloBC*®.com website.	Number of visitors to website	500,000	540,000	With the success of the *BC Escapes*® campaign, the *HelloBC*®.com website continued to gain momentum, exceeding targets in all areas. The number of bookings through the website was 4,300, up 61%. This represented reservations worth $850,000.
		Number of bookings through website	3,000	4,300	
		Revenue	$60,000	$85,000	
British Columbia Magazine	Revitalize the magazine as a key British Columbia tourism marketing product and continue to build profits for marketing reinvestment.	Circulation	145,000	133,618	Restructuring and integration of the magazine had short-term impacts on circulation but established a positive basis for future growth.
		Gross sales	$2.75 million	$2.60 million	
		Net profit	$52,000	$45,000	

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Program/ Activity	Objectives/Strategies	Measures	Performance		Comments
			Target	Results	
Accommodation program	Maintain participation in all accommodation programs.	Approved Accommodation Guide revenues	$1.288 million	$1.164 million	Economically difficult year for many operators resulted in a drop in display advertising and a decrease in the amount spent on listings.
Other publications	Publish and distribute "free" tourism related publications (Vacation Planner and Outdoor Adventure Guide) at 100 % cost recovery.	Number of Vacation Planners distributed	300,000	270,000	Due to a decline in advertising sales, the print run was decreased in order to maintain cost recovery for the publications program.
		Number of Outdoor Adventure Guides distributed	160,000	140,000	
		Net cost of program	$0	($5,000)	
		Cost Recovery	100%	101%	

Goal 3: ***Implement programs which provide an assurance to the visitor that acceptable standards are available, and encourage operators to enhance the quality of their products***

Program/ Activity	Objectives/Strategies	Measures	Performance Targets		
			Target	Results	Comments
Visitor Info Centres (VIC)	Develop activities and programs that result in a quality one-stop full-service experience for the visitor.	Quality Survey : visitor expectations met or exceeded	85%	n/a	Budget reductions postponed Visitor Survey until the 2003/04 fiscal year. Despite reduced funding from government agencies, community Visitor Info Centres essentially equaled service volume levels of 2002.
		Number of visitors served	3.2 million	3.12 million	
Accommodation	Carry out property inspection program.	Regular inspections	700	504	A total of 1,028 site visits were made; 953 were completed. Unsuccessful visits were due to operators not being in, requiring a second trip to accomplish work. Application for Canada Select and/or Camping Select moves the property from the Regular Inspection to the Canada Select or Camping Select program.
		Canada Select	250	316	
		Access Canada	5	3	
		Camping Select	15	17	
		Green Leaf	10	10	
		Canada Select Yukon	20	22	

Goal 4: ***Foster the development of an industry that is professional, well-trained, and provides quality services to visitors from around the world***

Program/ Activity	Objectives/Strategies	Measures	Performance Targets		
			Target	Results	Comments
Training Services: *SuperHost*® program	Work with sponsoring organizations to increase participation in *SuperHost Face-to-Face*® and *Frontline Management Solutions*® programs.	Number of participants trained	21,000	17,000	Economic downturn resulted in fewer workshops.
		Net cost of Program	$60,000	$84,000	Higher cost due to development of two new workshops.
	Continue to promote the *SuperHost*® training program outside of British Columbia.	Revenues outside British Columbia	$10,000	$41,500	Sale of the *SuperHost*® training program to Puerto Rico.
Industry Development	Identify cultural tourism opportunities and assist in their development.	Number of sector organizations that Tourism British Columbia is involved with	5	4	Have participated in the development of the BC Culinary Tourism Association, BC Agri-tourism Association, Garden-Inspired Tourism and the Aboriginal Tourism Association of BC. The Okanagan Cultural Corridor Project reorganized with local governance.
	Facilitate the development of self-sustaining sector associations.	Number of operators participating in workshops	200	0	Workshops delayed due to reduction in staffing and financial resources. Training materials were produced and delivery deferred to April 2003.
	Continue to develop educational materials/workshops to assist individual operators.	Book and workshop sales	$6,000	$7,600	Increase in book sales due to increased interest and awareness of the workbook program.

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Goal 5: ***Undertake research on the size and growth of the industry, and provide analysis of issues impacting development of the industry for use by government agencies and industry organizations***

Program/ Activity	Objectives/Strategies	Measures	Performance Targets		
			Target	Results	Comments
Research Publications	Produce and distribute a portfolio of research information both in print and on the corporate website to the tourism industry, including an annual Tourism Outlook, the Value of Tourism and market/regional and sector profiles.	Publish Tourism Indicators Customs data entry produced Tourism Outlook, Value of Tourism	8 issues Monthly Annually	8 issues Produced Monthly Published Feb. 2003	Web-based distribution enhanced our timeliness and extended our reach to distribute tourism research to industry.
Program Support	Conduct research to support Tourism British Columbia programs, planning and evaluation.	Conduct Corporate Stakeholder survey	Annually	Final report completed Aug. 2002	Stakeholder satisfaction from over 350 stakeholders remained stable at 3.8 out of 5.0.
Tourism Industry Performance Monitoring	Maintain and enhance sector tracking information through partnerships.	Build additional sector tracking information	Maintain current levels of participation	Monthly commercial accommodation survey maintained at 85 participants	Increased cooperation with key sectors to assist our ability to track performance.

Goal 6: ***Pursue opportunities to generate incremental revenue through program activities, and leverage resources of the tourism industry and non-traditional partners to ensure resources are available to achieve the organization's objectives***

Program/ Activity	Objectives/Strategies	Measures	Performance Targets		
			Target	Results	Comments
Leveraging of marketing funds	Partner with the CTC, DMOs and other tourism businesses to increase our market exposure.	Ratio of partner contributed funds to Tourism British Columbia funds	North America 1.4:1 Overseas 3:1	North America 1.15:1 Overseas 5:1	The majority of overseas programs are leveraged through the CTC, especially Europe. CTC participation in North American programs has declined.
Discover Camping® Program	Maintain revenue contribution from the *Discover Camping*® program by supporting lower cost web bookings.	Percentage of web bookings Net revenue	45% $77,000	43% $99,324	Another solid season for *Discover Camping*® reservations. Web bookings increased by 2% over 2002 but missed aggressive target of 5%.
Merchandise sales	Increase revenue at Tourism British Columbia Visitor Info Centres, while promoting British Columbia through relevant merchandise.	Net profit	$97,300	$104,867	Strong results at Mt. Robson resulted in slight increase over target. Peace Arch & Coquihalla maintained 2002 performance.

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Goal 7: ***Maintain excellence in service to stakeholders (industry, government agencies, internal staff, etc)***

Program/ Activity	Objectives/Strategies	Measures	Performance Targets		
			Target	Results	Comments
Corporate Services	Maintain the integrity of the financial system through a thorough system of controls, and continue to provide financial reports to key decision makers.	Unqualified Audit report	Unqualified report, no exceptions	Unqualified report, no exceptions	The management letter points were minor in nature.
		Number of audit management letter points	4 or less	4	
		Financial statements and forecasts provided to board and Treasury Board staff	Quarterly, within 21 days of quarter end	Quarterly, within 21 days of quarter end	
Human Resource Development	Continue to instill a values-based and productive corporate culture.	Engaged employees (survey)	3.5 out of 5	4.0 out of 5	
		Employee absence rate	2% or lower	1.16%	
		Employee turnover rate	5% or lower	4.7%	
		Number of grievances	2 or lower	Zero	

FINANCIAL REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Highlights

As the corporation's primary source of funding, Tourism British Columbia receives 1.65 points of the 8% hotel tax. Hotel tax revenue returned to positive growth increasing by 3.3% to $24.5 million (compared to a decrease of 1.3% in the previous year). A 1% change in hotel tax impacts the corporation by approximately $240,000.

Tourism British Columbia operates under a five-year fiscal framework. Similar to previous years, budgeted expenses exceeded budgeted revenues. It is the corporation's intent to budget a consistent "spend" level, drawing down equity (unappropriated assets) until hotel tax revenues "catch up" to spend levels. Under the direction of our Board, Tourism British Columbia maintains a minimum of $1 million in unappropriated assets over a five-year horizon, to protect the corporation in the event hotel tax receipts are considerably less than expected. The corporation's revenues exceeded expenses in 2002/03 by $190,000 compared to a budgeted deficit of $4.0 million. However, $2.4 million of unspent budget was attributable to projects carried over into fiscal 2003/04. The 03/04 budget has been adjusted accordingly.

The corporation earned $214,000 in investment income, compared to $164,000 last year. Improved cash management practices and delayed or deferred projects contributed to higher average cash balances. Further, the corporation's average rate of return of 2.81% (3.09% in 01/02) exceeded British Columbia Investment Management Corporation's ST1 short term money market fund benchmark.

Most program revenues saw a general decline, particularly in reservation commissions, training, and the Approved Accommodation Guide. However, overall program revenues were up over last year by 2.6% due to *British Columbia Magazine*'s (formerly *Beautiful British Columbia Magazine*) increase in revenues of almost $400,000, or 23%.

Balance Sheet

Consistent with previous years, our year-end cash position was greater than our unappropriated assets. However, this is not the case throughout most of the fiscal year. On average, Tourism British Columbia's cash balance tends to be lower, as our hotel tax receivable from the Ministry of Provincial Revenue is typically greater than our average payables by about $1 million. Payables at

year-end are larger than normal due to the timing of the *BC Escapes*® advertising program, which overlaps our fiscal year-end. Consequently, cash flows are negative in the first quarter by between $3 and $4 million.

Accounts Receivable – the $2.3 million (01/02: $3.7 million) receivable from the Province of British Columbia is for hotel tax revenues earned but not yet received. The receivable was smaller this year due to the timing of receipts from Ministry of Provincial Revenue; the March cash payment was received in March this year, but April in previous year. It generally takes 6 to 10 weeks for Tourism British Columbia to receive payment.

Net capital assets shrank 25% due to delayed capital expenditures to next fiscal.

Deferred revenues represent cash received from subscribers to *British Columbia Magazine* in advance of receiving the magazine.

The corporation's long term liabilities decreased a further 3% (25% decline last year) due to a continued effort to reduce accrued leave banks by ensuring our employees take a minimum amount of vacation in a year.

Business Risk

Given Tourism British Columbia's primary funding source is hotel tax, the corporation is subject to the risk of any significant downturn. As an example, the 2003/04 Tourism British Columbia Service Plan prepared in January 2003 projected a 4% increase in hotel tax. However, world events have subsequently had a negative impact on the tourism industry. Although the corporation is mildly optimistic that economic conditions will recover, the hotel tax forecast for fiscal 2004 may need to be revised for less growth.

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Results of Operations last 5 years:

000s	98/99	99/00	00/01	01/02	02/03
Hotel room tax	20,532	21,751	24,025	23,720	24,511
Program and other income	3,324	5,105	5,344	11,345	7,776
Government contribution	-	-	-	-	2,000
Total Revenue	23,856	26,856	29,369	35,065	34,287
Marketing & Sales	10,338	10,401	11,588	12,065	11,922
Tourism Operations	8,863	9,149	10,725	11,252	11,335
Business Development	2,603	2,620	2,762	2,722	2,518
British Columbia Magazine	-	-	-	2,436	2,557
General and Administration	2,950	3,127	2,834	2,571	2,879
CEO Contingency	485	747	434	475	2,395
Amortization	271	444	657	783	490
Write-down of intangible asset	-	-	-	4,000	0
Total Expenses	25,510	26,488	29,000	36,304	34,096
Net revenue (expenses)	(1,654)	368	369	(1,239)	191
Opening unappropriated assets	8,064	6,762	7,130	7,499	6,260
Joint venture consolidation	352				
Closing Unappropriated assets	8,064	6,762	7,130	7,499	6,451

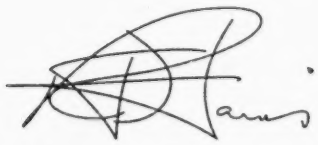
Management's Report

The financial statements of Tourism British Columbia for the year ended March 31, 2003 have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements present fairly the consolidated financial position of Tourism British Columbia as at March 31, 2003 and the consolidated results of operations and changes in cash flows for the year then ended.

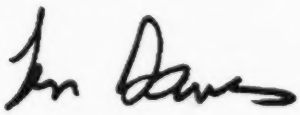
Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Board of Directors carries out its responsibility for the review of the financial statements. The Board meets with management and the external auditor to discuss the results of audit examinations and financial reporting matters. The external auditor has full access to the Board, with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements of Tourism British Columbia. The Auditor's report outlines the scope of his examination and expresses an opinion on the statements of Tourism British Columbia.



Rod Harris
President and Chief Executive Officer
Tourism British Columbia



Len Dawes, CA
Chief Financial Officer
Tourism British Columbia

May 23, 2003

Report of the Auditor General of British Columbia

To the Members of the Board of Directors of Tourism British Columbia, and

To the Minister of Competition, Science and Enterprise, Province of British Columbia

I have audited the consolidated statement of financial position of *Tourism British Columbia* as at March 31, 2003 and the consolidated statements of operations and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the consolidated financial position of *Tourism British Columbia* as at March 31, 2003 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Wayne Strelioff

Victoria, British Columbia
May 23, 2003

Wayne Strelioff, CA
Auditor General

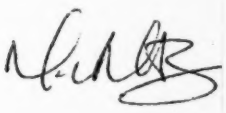
TOURISM BRITISH COLUMBIA

STATEMENT OF CONSOLIDATED FINANCIAL POSITION
(in $000s)

March 31,	2003	2002
ASSETS		
Current assets		
Cash and short term investments (Note 3)	**11,073**	8,610
Accounts receivable		
Province of British Columbia	**2,266**	3,709
Other	**1,039**	661
Inventories	**109**	260
Prepaid	**414**	263
	14,901	13,503
Capital assets (Note 5)	**748**	1,012
Intangible assets (Note 11)	**1,578**	1,578
	17,227	16,093
LIABILITIES		
Current liabilities		
Accounts payable		
Province of British Columbia	**239**	274
Other	**7,057**	5,881
Deferred revenue	**1,943**	2,130
	9,239	8,285
Long term liabilities (Note 6)	**370**	381
	9,609	8,666
NET ASSETS	**7,618**	7,427
	17,227	16,093

Commitments (Note 8)

Approved on behalf of the Board



Michael Duggan
Board Chair

Steve Smith
Director

The accompanying notes are an integral part of these financial statements.

TOURISM BRITISH COLUMBIA

STATEMENT OF CONSOLIDATED OPERATIONS AND NET ASSETS

(in $000s)

Year ended March 31,	**2003**	**2002**
Revenues		
Hotel room tax	**24,511**	23,720
Program revenue (Note 10)	**7,562**	7,182
Investment and miscellaneous income	**214**	164
Province of British Columbia contribution	**2,000**	-
Donation revenue	**-**	4,000
	34,287	35,066
Expenses		
Marketing & Sales	**11,922**	12,066
Tourism Operations	**11,335**	11,252
Business Development	**2,518**	2,722
British Columbia Magazine	**2,557**	2,435
CEOs contingency	**2,395**	475
General and Administration	**2,879**	2,572
Amortization	**490**	783
Write down of intangible asset	**-**	4,000
	34,096	36,305
Excess (deficiency) of revenues over expenses	**191**	(1,239)
Unappropriated assets, beginning of year	**6,260**	7,499
Unappropriated assets, end of year	**6,451**	6,260
Contributed assets (Note 7)	**1,167**	1,167
Net assets, end of year	**7,618**	7,427

TOURISM BRITISH COLUMBIA

STATEMENT OF CONSOLIDATED CASH FLOWS

(in $000s)

Year ended March 31,	2003	2002
Operating activities		
Excess (deficiency) of revenues over expenses	**191**	(1,239)
Items not involving cash		
Accounts receivable	**1,065**	(195)
Inventories	**151**	(49)
Prepaid expenses	**(151)**	(202)
Accounts payable (current)	**1,141**	(16)
Write-down of intangible asset		4,000
Amortization	**490**	783
Deferred revenue	**(186)**	2,130
Cash flows from operating activities	**2,701**	5,212
Investing activities		
Investment in *British Columbia Magazine*	-	(4,000)
Intangible asset	-	(1,578)
Additions to capital assets	**(227)**	(434)
Cash flows (used in) investing activities	**(227)**	(6,012)
Financing activities		
Long term liabilities	**(11)**	(128)
Cash flows (used in) financing activities	**(11)**	(128)
Net increase (decrease) in cash	**2,463**	(928)
Cash and short term investments at beginning of year	**8,610**	9,538
Cash and short term investments at end of year	**11,073**	8,610

The accompanying notes are an integral part of these financial statements.

(Tabular amounts in $000s)

1. Authority and purpose

Tourism British Columbia (the corporation) is a provincial Crown corporation established by the *Tourism British Columbia Act* on June 27, 1997. The purpose of the corporation is to promote development and growth in the tourism industry, to increase revenue and employment in the industry throughout British Columbia and to increase the economic benefits generated by the industry.

Under the *Tourism British Columbia Act,* Tourism British Columbia is entitled to the net revenue collected under section 3.1 of the *Hotel Room Tax Act.*

The corporation is exempt from federal and provincial income taxes and from the federal goods and services tax.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the corporation and its wholly owned subsidiary 595195 BC Ltd. (*British Columbia Magazine*). All significant inter-company transactions and balances have been eliminated.

(b) Short term investments

Short term investments consist of units in the Province of British Columbia Pooled Investment Portfolios. Units are carried at the lower of cost adjusted by income attributed to the units, and market value. Income attributed to the units represents the unit holder's share of the interest earned by the Portfolio and may be realized upon the sale of units.

(c) Revenue recognition

Hotel room tax revenue is recognized in the period that consumers are charged the tax on their accommodation by the provincial government.

Program revenues are recognized in the period services are rendered.

Subscription revenues in the *British Columbia Magazine* operations are deferred and recognized as the magazine is published.

(d) Intangible assets

Intangible assets are reviewed each year to determine if there is any impairment in value. A write down to fair value is recorded if there has been any impairment.

(e) Capital assets

Capital assets are recorded at cost and amortized on a straight-line basis over their estimated useful lives. Estimated useful lives are as follows:

Computer software	2 years
Website development costs	3 years
Computer equipment	3 years
Furniture and equipment	5 years
Vehicles	5 years
Leasehold improvements	5 years
Trademarks	20 years

Assets costing less than $500 are expensed in the year of purchase.

(f) Inventories

Inventories held for resale are valued at the lower of cost and net realizable value. Supplies inventories are valued at cost.

(g) Related parties

Tourism British Columbia is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities, considered to be in the normal course of operations, are recorded at the exchange amounts.

3. Cash and short term investments

	2003		2002	
	Cost	**Market**	Cost	Market
Cash	**6,938**	**6,938**	2,079	2,079
Short term investments	**4,143**	**4,135**	6,551	6,531
	11,081	**11,073**	8,630	8,610

4. Financial instruments

The corporation's financial instruments consist of cash held in its general bank account, short term investments in British Columbia Investment Management Corporation's pooled investment portfolios, accounts receivable, accounts payable and long term liabilities. It is management's opinion that the corporation is not exposed to significant interest, currency or credit risk arising from these financial instruments. The corporation earned an average return of 2.81% (3.09% in 2002) on its cash and short term investments for the period.

5. Capital assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	1,340	1,280	**60**	103
Computer software	336	311	**25**	98
Furniture and equipment	463	370	**93**	195
Website development costs	592	585	**7**	150
Leasehold improvements	383	141	**242**	218
Trademarks	335	28	**307**	229
Vehicle	23	9	**14**	19
	3,472	2,724	**748**	**1,012**

6. Long term liabilities

	2003	2002
Employee leave liability	**544**	478
Less: Current portion	**(174)**	(97)
	370	381

7. Contributed assets

Contributed assets represents transfers from the Province of British Columbia of assets and liabilities accumulated by the Special Operating Agency - Tourism British Columbia, prior to the formation of the corporation.

8. Commitments

The future remaining commitments for contracted program costs and office space leases are:

2004	9,295
2005	992
2006	838
2007	693
2008	709
	12,527

9. Employee benefit plans

Employee future pension benefits

The corporation and its employees contribute to the Public Service Pension Plan (the Plan), a jointly trusteed pension plan. The board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the plan. The pension plan is a multi-employer contributory defined benefit pension plan. Every three years an actual valuation is performed to assess the financial position of the plan and the adequacy of the plan funding. The latest actual valuation March 31, 2002 indicated a $546 million surplus for funding purposes. The actuary does not attribute portions of the surplus to individual employers.

Employee future post-retirement benefits

Obligations for employee retirement allowances are detailed in the corporation's collective agreement. The corporation has accrued the estimated costs of these benefits, and has adopted the policy on a prospective basis with no retroactive restatement of prior year amounts. The amount accrued during the 2003 fiscal year was $89,678 (2002 - $82,261) and is included in long term liabilities.

10. Program revenue

	2003	2002
Tourism Operations		
Accommodation Program revenues	**1,337**	1,397
Discover Camping® reservation fees	**968**	1,016
Super, Natural British Columbia® reservation fees	**421**	563
BC Escapes® campaign	**455**	404
YVR	**278**	360
Training services	**277**	331
Merchandise sales	**434**	377
Other (train the trainer, collateral, royalties)	**202**	33
	4,372	4,481
Business Development		
Publication advertising revenues	**520**	535
Other	**68**	56
	588	591
Tourism British Columbia total	**4,960**	5,072
British Columbia Magazine	**2,602**	2,110
	7,562	7,182

11. Intangible asset (*British Columbia Magazine*)

This intangible asset is the subscriber list of *British Columbia Magazine* (formerly *Beautiful British Columbia Magazine*). The estimated fair value of the subscriber list is $1,578,099 and is based on management's projection of the magazine's operating cash flows as at March 31, 2002 with no estimated impairment in value as at March 31, 2003.

12. Comparative amounts

Certain comparative figures in the financial statements have been restated to conform with the current year presentation.

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CORPORATE GOVERNANCE

Corporate Governance Practices

Tourism British Columbia became a Crown corporation when the *Tourism British Columbia Act* was passed by the British Columbia legislature in June 1997. The *Act* was retroactive to April 1, 1997 and established the basis of corporate governance.

Roles and responsibilities of the Board and CEO/Staff

In fulfilling its responsibilities under the *Act*, at a special meeting of Tourism British Columbia's Board of Directors held on October 6, 1997, the Board determined that it would function as a policy Board, with responsibility for achieving results delegated to the CEO. The Board provides final approval for matters concerning planning, budget, CEO contingency, financial policy, human resource policy and performance measures. They are also involved in approving within the Business Plan items such as capital purchases, leases and major repairs. The full Board meets quarterly and there are seven standing Advisory Committees that also meet a minimum of once a quarter, with the exception of the Membership/Nomination Committee and the Compensation Committee. The remaining committees include the Executive Committee, Corporate Services Committee, Business Development Committee, Marketing & Sales Committee, and the Tourism Operations Committee.

The CEO and staff are entirely responsible for day-to-day operations including the development and implementation of the annual Business Plan, the determination of an annual operating budget and establishment of all staff assignments.

2002/03 BOARD OF DIRECTORS

Michael Duggan, *Chair*

Michael Duggan was appointed to the Board in 1999 and became chair in April 2001. In 2002/03 he was a member of the Executive Committee and all other board committees. General Manager of the Pan Pacific Lodge in Whistler, he has also been the marketing chair of the Canada West Ski Areas Association and the Canadian Ski Council from 1999 to 2002.

Beth Campbell, *Vice-Chair*

Beth Campbell was appointed to the Board in April 2000 and was appointed vice-chair in April 2002. In 2002/03 she was a member of the Executive Committee and all other board committees . She is owner and president of Penticton's Best Western Inn and a governor for Best Western International. She is a former mayor of the City of Penticton and is a past president of the Penticton Hotel Association and the Penticton Chamber of Commerce.

Peter Armstrong

Peter Armstrong was appointed to the Board in 1999, and served as vice-chair from April 2001 to April 2002. In 2002/03 he was chair of the Business Development Committee and a member of the Executive Committee. He is president and CEO of the Great Canadian Railtour Company Limited, past-chair of Tourism Vancouver and a board member of the World Tourism & Travel Council.

Frank Bourree

Frank Bourree was appointed to the Board in April 2001. In 2002/03 he was a member of the Business Development Committee. He is a certified management consultant and director of tourism consulting at the Victoria offices of Grant Thornton Chartered Accountants and Management Consultants. He is very active with tourism studies and development projects throughout British Columbia and Canada, and has served on many tourism agency boards.

Kelley Glazer

Kelley Glazer was appointed to the Board in April 2001. In 2002/03 she was a member of the Marketing & Sales Committee. Director of sales and marketing for the Ramada Hotel Downtown in Prince George, she has served as president of the Northern British Columbia Tourism Association and as a director of the Council of Tourism Associations of British Columbia.

Patrick Kelly

Patrick Kelly was appointed to the Board in 1999 and reappointed in April 2001. In 2002/03 he was

a member of the Marketing & Sales Committee. He is currently regional vice president of Fairmont Hotels & Resorts and general manager of the Fairmont Hotel Vancouver, and is also chair of Tourism Vancouver and a board member of the Vancouver Board of Trade.

April Moi

April Moi was appointed to the Board in 2000 and reappointed in April 2001. In 2002/03 she was a member of the Business Development Committee. She is the executive director of the Northern Rockies Alaska Highway Tourism Association in Fort St. John, which is responsible for coordinating and promoting visitor activity within northeastern British Columbia. A past Visitor Info Centre manager, she is also experienced in festival and event coordination.

Sue Morhun

Sue Morhun was appointed to the Board in 2000 and reappointed in April 2001. In 2002/03 she was a member of the Business Development Committee. Manager of Community and Heritage Services for the Township of Langley, she has promoted the history of British Columbia for more than 25 years and has received several awards for her leadership in heritage preservation and museology.

Stephen Smith

Stephen Smith was appointed to the Board in April 2000. In 2002/03 he was chair of the Tourism Operations Committee and a member of the Executive Committee. General manager of the Crest Hotel in Prince Rupert, Mr. Smith is a longtime director of the British Columbia and Yukon Hotel Association and is a past president of the Northern British Columbia Tourism Association.

Kevin Walker

Kevin Walker was appointed to the Board in April 2000. In 2002/03 he was chair of the Marketing & Sales Committee and a member of the Executive Committee. He is president and general manager of Victoria's Oak Bay Beach Hotel and Marine Resort and of Pride of Victoria Cruises & Tours. He is also past president of the Council of Tourism Associations of British Columbia and the British Columbia & Yukon Hotels' Association.

Nick Worhaug

Nick Worhaug was appointed to the Board in July 1997. In 2002/03 he was chair of the Corporate Services Committee and a member of the Executive Committee. He is vice president for Western Canada, Hotel Employees', Restaurant Employees' International Union, District 11 and a vice president of the British Columbia Federation of Labour.

John Korenic

John Korenic was appointed to the Board in March 2002. In 2002/03 he was a member of the Tourism Operations Committee. He is the aviation marketing director for the Vancouver International Airport Authority. He was also formerly a director of Pacific and Europe alliances for Canadian Airlines International Ltd. and worked with Wardair Canada Inc.

Charles McDiarmid

Charles McDiarmid was appointed to the Board in March 2002. In 2002/03 he was a member of the Marketing & Sales Committee. He is the general manager of the Wickaninnish Inn in Pacific Rim National Park. He also served as Tourism Vancouver's sales director after working for the Four Seasons Hotel Group in management positions in Calgary, Newport, Seattle, and Washington, D.C.

Stuart McLaughlin

Stuart McLaughlin was appointed to the Board in March 2002. In 2002/03 he was a member of the Tourism Operations Committee. He is the president of Grouse Mountain Resorts and director of the Mountain Experience for the Kicking Horse Mountain Resort.

Allen Tozer

Allen Tozer was appointed to the Board in March 2002. In 2002/03 he was a member of the Corporate Services Committee. He is with Lexlaur Properties Inc. He was formerly president of the Thompson Okanagan Tourism Association in 1998, and of its precursor – the Okanagan Similkameen Tourism Association – from 1995 to1998, after serving five years as a director.

TOURISM BRITISH COLUMBIA OFFICERS

Rod J. Harris, *President and Chief Executive Officer*

Rod Harris was appointed CEO and President of Tourism British Columbia by the Board of Directors upon its establishment as a Crown corporation in 1997. He has held senior management positions in the private and public sectors, and currently serves on the Boards of the Vancouver Whistler 2010 Bid, the Canadian Tourism Commission and the Pacific Asia Travel Association.

Grant Mackay, *Vice President, Marketing & Sales*

Grant Mackay was appointed vice president of Marketing & Sales in 1997, and is responsible for developing Tourism British Columbia's marketing and sales strategies. Grant joined Tourism British Columbia in 1995 after 17 years of management experience in the packaged-goods industry.

Rick Lemon, *Vice President, Tourism Operations*

Rick Lemon was appointed vice president of Tourism Operations in 1997 and has been with Tourism British Columbia for 18 years. He is responsible for visitor services, retail operations, accommodations and training services. Rick designed the groundbreaking *SuperHost*® training program and has been extensively involved with tourism development throughout British Columbia.

Don Foxgord, *Vice President, Business Development*

Don Foxgord was appointed vice president of Business Development in 1997 and is responsible for business development, marketing services, corporate communications and industry development. He joined Tourism British Columbia in 1987 after four years as regional manager of the British Columbia Rockies tourism region and he has extensive experience in developing tourism around the province.

Len Dawes, *Chief Financial Officer / Executive Director, Corporate Services*

Len Dawes was appointed CFO / executive director of Corporate Services in 1998, and is responsible for Tourism British Columbia's financial, information and administrative systems. Len is a chartered accountant with broad experience in the public, private and not-for-profit sectors.

Rose Moss, *Executive Director, Human Resource Development*

Rose Moss was appointed executive director of Human Resources in 2000. She is responsible for developing and implementing Tourism British Columbia's human resource infrastructure, which includes compensation, performance management, career development, recruitment, succession and labour relations. She has extensive HR experience in the private and public sectors.

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GLOSSARY

Many of these terms are relevant for the British Columbia tourism industry.

CTC – Canadian Tourism Commission

DMO – Destination Marketing Organization

DMS – Destination Management System

FIT – Fully Independent Travel

HRD – Human Resource Development (British Columbia Tourism HRD Task Force)

ITB – International Tourism Bourse

RDMO – Regional Destination Marketing Organization

SNBC – Super, Natural British Columbia

TAWNC – Tourism Association of Western and Northern Canada

TBC – Tourism British Columbia

TIAC – Tourism Industry Association of Canada

TIC – Tourism Industry Conference

WED – Western Economic Diversification

VIC – Visitor Information Centre

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